

# CANADIAN MULTINATIONAL CORPORATIONS AND ECONOMIC NATIONALISM: THE CASE OF IMPERIAL OIL LIMITED IN ALBERTA (CANADA) AND COLOMBIA, 1899-1938

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***Les capitaux canadiens n'ont pas seulement joué un rôle dans l'électrification de l'Amérique latine. Ils sont également intervenus dans le secteur pétrolier. Filiale canadienne de la Standard Oil of New Jersey, l'Imperial Oil Limited a ainsi élargi son champ d'action de l'Alberta à la Colombie entre 1899 et 1938<sup>1</sup>.***

In the early years of the twentieth century, American and British multinational oil corporations expanded to Latin America in the search of new petroleum sources or markets for their oil production. This expansion, however, was not a smooth one. The companies not only competed with each other, but also operated in geographically isolated and highly underdeveloped areas when producing crude, and faced nationalist hostility from labor unions, intellectuals, and

political leaders who believed that the oil producing countries were not getting a fair share from oil production and exports.

The literature on the history of foreign direct investment in the oil sector in Latin America has largely ignored or minimized the fact that some of the US companies' operations were carried out through Canadian affiliates. Not only did many Canadian chartered companies invest in the Latin American oil sector in the first half of

<sup>1</sup> This project was funded by the Research Fund Program 2007. Canadian Embassy, Washington DC. I wish to thank Douglass Cass and Tonia Fanella at the Glenbow Museum (Calgary) and the staff at the Canadian National Archives. I also thank the research assistantship of Michelle Grimaldi, Susanna Kim, Donald Klippert, and Renata Owczarek. Previous observations from David Breen, Catherine LeGrand, and Mira Wilkins were very useful, but I am responsible for any error or inaccuracy.

the twentieth century, but also a significant number of Canadians were involved in the negotiation processes with the local governments, in technical jobs in oilfields located in isolated areas of jungles or deserts, and explored the area looking for oil resources. More importantly, many investment decisions were made in Canada taking into account the Canadian domestic politics and oil market. By neglecting the significance of a strong presence of Canadian capital and citizens in the development of the Latin American oil sector, historians have focused their research on US or British government or corporate archives located in the US, Britain, or the host countries, missing the wealth of information Canadian archival sources can provide<sup>3</sup>. In this article I study the operations of the International Petroleum Company (IPC), a Canadian chartered corporation subsidiary of Standard Oil of New Jersey in Colombia between 1919 and 1936. I argue that IPC's political strategies and investment decisions in Colombia were highly determined by the Imperial's operations in Canada and the political conflicts it had both with the Canadian federal government and the provincial government of oil producing Alberta. In the early twentieth century Imperial specialized in oil products marketing in Canada, but by the late 1910s it started a process of vertical integration of its operations, which included the creation of IPC for South American oil production operations. Imperial's main goal was to develop a crude production industry in Canada and have the South American operations as a complement. However, during the 1920s the attempts to produce in Canada failed for technical and political reasons, while production in Colombia rose successfully. By the late 1920s, Imperial reluctantly concentrated its production efforts in Colombia, not only because the Colombian oilfields proved to be more

productive than the Canadian ones, but also because the company considered the Colombian government had a "friendlier" attitude towards the company's investments than the governments of Canada and the Canadian province of Alberta.

The implications of considering Canadian operations in Latin America go beyond the simple addition of a new actor in the historiography. By assuming oil politics as a bilateral relationship between the producing countries and the multinational's parent company country of origin, previous studies have neglected the complexities of the decision making process in large global corporations. Even companies with clearly defined headquarters (like Standard Oil of New Jersey in 26 Broadway in New York City) have expanded themselves through a complicated web of joint ventures, mergers, and acquisitions that include companies traded in stock markets of different countries, chartered in several places, with their own shareholders, and particular obligations to the countries in which they are located. For its production operations in Colombia, Standard Oil of New Jersey operated through the Oklahoma firm Tropical Oil Company. Tropical was owned with a majority of shares by the Toronto company International Petroleum Company (IPC), which was owned by another Toronto-based corporation the Imperial Oil Limited, which was partially owned by Standard Oil of New Jersey. For the oil transportation operations in Colombia, IPC used another Canadian firm the Andian Corporation, also owned by Imperial Oil. Even though Imperial's headquarters were located in Canada and most of its management were Canadian citizens, the majority of ownership by Standard Oil of New Jersey made Canadian nationalists suspicious of this company, which they considered an extension of US

<sup>3</sup> The best studies on oil and nationalism in Latin America using these kind of sources are J. Brown, *Oil and Revolution in Mexico*. Berkeley, University of California Press, 1993; G. Philip, *Oil and Politics in Latin America: Nationalist Movements and State Companies*, Cambridge, Cambridge University Press, 1982.

imperialism. Adding to this complexity, we need to consider the fact that Canada was not a sovereign country, but part of the British Empire with certain privileges. As a result, one has to analyze Canadian policies also in the light of the long-term global political and economic goals of the British. Therefore, assuming a lineal process of decision making from 26 Broadway to Colombia without considering the interests by economic and political actors in different countries can lead to inaccurate results.

The main concepts used in this paper follow the definitions made by international business scholars. I understand 'home country' as the multinational's country of origin (a concept which, as mentioned above, becomes more complicated given the organization of large multinationals) and 'host country' as the country receiving the foreign investment'. I follow Kathryn Harrigan's concept of 'vertical integration' as that in which a firm establishes control over the different aspects of the value chain, from acquisition of raw materials to distribution and marketing<sup>1</sup>. By 'third country' I understand a country which is neither the 'home' or 'host' country, but that has some interest in the operations of the multinational<sup>2</sup>. I define 'positive incentives' to multinational corporations as those set of policies and legislation by a home government, which encourage foreign direct investment. On the contrary, 'negative incentives' are those that discourage foreign direct investment. Finally, 'corporate citizenship' refers to the place where the

multinational was chartered and has its headquarters<sup>3</sup>.

This paper uses primary sources that have not been used in any previous historical study on the Colombian oil industry. They include the unpublished minutes of the annual general meetings of Imperial Oil and the unpublished financial records of International Petroleum Company. The minutes include detailed discussions of the operations in Canada and Colombia. These sources were recently donated by Esso Canada to the Glenbow Museum in Calgary (Alberta). I complement these sources with the Canadian business newspaper *The Financial Post*, the unpublished manuscript on the history of Imperial Oil by John S. Ewing located at the Baker Library at Harvard Business School, and reports from the Canadian, British, and Colombian governments and the American Petroleum Institute.

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## THE HISTORIOGRAPHY OF CANADIAN CAPITAL IN LATIN AMERICA AND FOREIGN INVESTMENT IN COLOMBIAN OIL

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The number of studies focusing on Canadian corporations in Latin America is very limited. Notable exceptions worth mentioning are Duncan McDowall's *The Light* (a book on Canadian investment in Brazil's electric sector during the first half of the twentieth century) and the more general

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<sup>1</sup> J. H. Dunning, "The Multinational Enterprise: the Background", in J. H. Dunning (ed.), *The Multinational Enterprise*. New York, Praeger, 1971.

<sup>2</sup> K. Harrigan, "Vertical integration and corporate strategy", *Academy of Management Journal*, Vol. 28, No. 2, 1985, p. 397-425.

<sup>3</sup> R. Grosse, "The Bargaining View of Government-Business Relations", in R. Grosse (ed.), *International Business and Government Relations in the Twenty-First Century*, Cambridge, Cambridge University Press, 2005, p. 277-282.

<sup>4</sup> I am aware that recent literature on corporate social responsibility defines 'corporate citizenship' by the way a company relates to the local society (see D. Matten, A. Crane, and W. Chapple, "Behind the Mask: Revealing the True Face of Corporate Citizenship", *Journal of Business Ethics*, Vol. 45, No. 1-2, 2003, p. 109-120). My article, however, does not analyze corporate social responsibility.

study of Canadian trading companies in Latin America by Christopher Armstrong and H. V. Nelles, *Southern Exposure*<sup>7</sup>. Both books were published the same year (1988), something that gave scholars the hope that a new wave in historical studies of Canadian business in Latin America was beginning<sup>8</sup>. This was considered remarkable because before these two studies, Canadian business historians had barely mentioned Latin America at all<sup>9</sup>. Unfortunately, the trend did not continue<sup>10</sup>. The only exception is a recent study by Catherine LeGrand analysing the labour conflicts at the British Columbia Sugar Company's plantations in the Dominican Republic, during Rafael Trujillo's dictatorship<sup>11</sup>. If we take into account that Imperial was one of Canada's major companies and that it was the largest Canadian firm operating in Latin America, this neglect can be considered a major gap in both Canadian and Latin American business history.

The historical works on the Colombian oil industry have focused on the early and failed attempts by local entrepreneurs to develop the industry and on the political economy of the operations of IPC and Gulf

Corporation. The most relevant studies for the early period are those by María Teresa Ripoll and José Fernando Isaza and Luis Eduardo Salcedo. By using family archives of the Colombian early oil entrepreneur Diego Martínez, Ripoll studies the creation of the Cartagena Refining Company in the early twentieth century and the competition this company faced from foreign corporations, including IPC<sup>12</sup>. José Fernando Isaza and Luis Eduardo Salcedo do a more general study on the different attempts by local entrepreneurs (including Diego Martínez and novelist Jorge Isaacs) to develop production and refining companies in Colombia in the first years of the twentieth century, a time of little government support. Isaza and Salcedo show that the development of Barrancabermeja as an oil centre is not just the result of foreign operations, but also of the early efforts by local businessmen<sup>13</sup>. Finally, two studies by Peter Calvert and Marcelo Bucheli study the early attempts by the British firm Pearson and Son to sign a contract with the Colombian government for oil exploration and production. Basing his study on US diplomatic correspondence, Calvert concludes that the Colombian

<sup>7</sup> D. McDowall, *The Light: Brazilian Traction, Light, and Power Company Limited, 1899-1945*, Toronto, University of Toronto Press, 1988; C. Armstrong and H. V. Nelles, *Southern Exposure: Canadian Promoters in Latin America and the Caribbean, 1896-1930*, Toronto, University of Toronto Press, 1988.

<sup>8</sup> G. Marchildon, "A New View of Canadian Business History", *Business History*, Vol. 32, No. 3, 1990, p. 162-168.

<sup>9</sup> For some examples, see T. Traves, *Essays in Canadian Business History*, Toronto, McClelland and Stewart, 1984; D. Macmillan, *Canadian Business History: Selected Studies, 1497-1971*, Toronto, McClelland and Stewart, 1972; M. Bliss, *Northern Enterprise: Five Centuries of Canadian Business*, Toronto, McClelland and Stewart, 1987; M. Bliss, *A Living Profit: Studies in the Social History of Canadian Business, 1883-1911*, Toronto, McClelland and Stewart, 1974.

<sup>10</sup> Some of the major books on Canadian business history published afterwards do not give any importance to Latin America. R. T. Naylor only writes six pages of Canadian business in Latin America in his 376-page *History of Canadian Business*. Naylor does not take into account oil investments but only operations by commerce and utility companies. See R. T. Naylor, *History of Canadian Business*, Montreal, McGill University Press, 2006, p. 230-235. Other studies ignore Latin America completely. See D. McCalla, *The Development of Canadian Capitalism: Essays in Business History*, Toronto, Copp Clark Pitman, 1990; J. Dwyer, *Business History: Canada in the Global Community*, North York, Captus Press, 2000.

<sup>11</sup> C. LeGrand, "Informal Resistance on a Dominican Sugar Plantation During the Trujillo Dictatorship", *Hispanic American Historical Review*, Vol. 75, No. 4, 1995, p. 555-596.

<sup>12</sup> M. T. Ripoll, "La actividad empresarial de Diego Martínez Camargo, 1890-1937", *Cuadernos de Historia Económica y Empresarial*, No. 2, September 1999, p. 30-62.

<sup>13</sup> J. F. Isaza, J. Fernando and L. E. Salcedo, *Sucedió en la Costa Atlántica: Los albores de la industria petrolera en Colombia*, Bogotá, Ancora, 1991.

government did not sign the contract with Pearson because of pressures of the US government<sup>14</sup>. Bucheli used the internal correspondence of the Pearson negotiation team and concludes that Pearson's failure to obtain the contract was a result not only of US pressure, but also of internal political struggles in Colombia, and actions by the British embassy in Colombia<sup>15</sup>.

The most influential works focusing on IPC (or its subsidiary Tropical Oil Company) are the ones by Jorge Villegas and René de la Pedraja Tomán. Villegas' main sources were Colombian government correspondence, printed media, and Colombian government documents<sup>16</sup>. De la Pedraja, on the other hand, analyzes in detail documents from the US Department of State and the Colombian government plus another large number of archival sources in Colombia<sup>17</sup>. Both authors conclude that Colombia did not benefit from its oil resources because the Colombian elite allied with US interests and whenever the Colombian government challenged foreign companies the US government was ready to support the multinationals. Maria Teresa Ripoll and Javier Báez studied the specific operations of IPC's subsidiary Andian Corporation, which owned the pipeline that connected IPC's fields with the port of Cartagena<sup>18</sup>. Using notary records, family archives, and interviews these authors argue that Andian's operations meant a major contribution to Cartagena's economic development. None of these authors used Canadian sources.

My findings show that IPC's investments in Colombia were not only the result of positive incentives (like the existence of a pro-multinational corporations government or the existence of rich oil resources), but were also product of negative incentives in Canada (mainly lack of success at finding oil and the need to break with Canada's dependence on US oil). Colombia was part of a larger plan the Imperial Oil Company had to vertically integrate its operations. When this was not possible through Canadian sources, the company focused on Colombia. In addition, I show that Canadian domestic politics and nationalism played an important role at encouraging IPC to develop the Colombian oil sector.

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## STANDARD OIL AND IMPERIAL OIL'S GROWTH IN CANADA

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IPC has arguably been the most influential Canadian firm operating in Latin America. The company was a subsidiary of the larger Imperial Oil Company, Limited established in London, Ontario (1881) by Frederick Fitzgerald to market lamp oil, axle grease and different kinds of lubricants throughout the Canadian Confederation. In 1899, the US firm Standard Oil Company (owned by John D. Rockefeller) acquired the majority of Imperial's shares, permitting Imperial to acquire Standard's refineries in Sarnia, Ontario<sup>19</sup>. Standard's acquisition of Imperial Oil's shares did not change the

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<sup>14</sup> P. Calvert, "The Murray Contract: An Episode in International Finance and Diplomacy", *The Pacific Historical Review*, Vol. 35, No. 2, May 1966, p. 203-224.

<sup>15</sup> M. Bucheli, "Negotiating Under the Monroe Doctrine: Weetman Pearson and the Origins of US Control of Colombian Oil", *Business History Review*, Vol. 82, No. 3, Autumn 2008, p. 433-454.

<sup>16</sup> J. Villegas, *Petróleo, Oligarquía e Imperio*, Bogota, Ancora, 1982; J. Villegas, *Petróleo Colombiano Ganancia Gringa*, Medellín, Tigre de Papel, 1971.

<sup>17</sup> R. De la Pedraja Tomán, *Historia de la Energía en Colombia, 1537-1930*, Bogota, Ancora, 1985; R. De la Pedraja Tomán, *Petróleo, electricidad, carbón y política en Colombia*, Bogota, Ancora, 1993.

<sup>18</sup> M. T. Ripoll and J. Báez, "Desarrollo industrial y cultura empresarial en Cartagena: La Andian National Corporation y Refinería de Mamonal", Bogota, Universidad Jorge Tadeo Lozano, mimeo.

<sup>19</sup> H. Klassen, *A Business History of Alberta*, Calgary, University of Calgary Press, 1999, p. 145.

Imperial's corporate citizenship. However, a majority of foreign ownership of the company's shares negatively affected Imperial's relationship with the Canadian government limiting the company's possibilities of growth within the Canadian territory.

Standard acquired Imperial at a moment in which Imperial was already an important player in Canada. The company grew from being a small association of refiners to the major distributor in Canada. Imperial, however, did not sell to final retailers but sold to wholesalers<sup>20</sup>. After Standard's acquisition, Imperial gradually focused on retail distribution. According to John Ewing, the new Standard majority ownership did not dramatically change the way the company did business, but it transferred all the important decisions from Toronto to the New York<sup>21</sup>. This changed, however, after 1911 when the US Supreme Court declared the dissolution of Rockefeller's Standard into smaller companies. In the immediate aftermath, Imperial's management was disoriented because they did not even know to which of the new Standards they would belong. Imperial eventually became part of Standard Oil Company of New Jersey (hereafter Jersey), but during the transition management decisions moved back to Toronto and remained like that in the years afterwards<sup>22</sup>.

During the Standard and Jersey period, Imperial supplied with oil products an ever-growing market. During the first two decades of the twentieth century, Canada witnessed a significant growth of its manufacturing sector and increasing popularity of the use of

automobiles, something Imperial exploited by developing a marketing network of petroleum products<sup>23</sup>. The growth in consumption, however, made Imperial's management to consider a vertical integration of the company's operations to include crude production in Canadian fields<sup>24</sup>. This goal, however, faced legal constraints due to Jersey's ownership of more than 70% of Imperial's shares.

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## IMPERIAL'S LEGAL CONSTRAINTS FOR VERTICAL INTEGRATION IN CANADA AND ITS EXPANSION TO SOUTH AMERICA

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Imperial's plan to expand its production operations in Canada faced several political problems. Since the late nineteenth century, the Canadian legal system in the mining sector was highly protectionist and had a higher degree of state interventionism than the mining laws in neighbouring United States. In 1870, the Canadian government acquired an immense piece of land surrendered by the Hudson's Bay Company, which included part of Manitoba, most of Saskatchewan, and parts of Alberta and the Northwest territories. From 1873, the Canadian government administered these lands through the Ministry of the Interior who leased these so-called "Crown lands" to private investors. The privately owned Canadian Pacific Railway Company had received some land grants before 1872, so it

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<sup>20</sup> J. Ewing, Imperial Oil Manuscript, Carton 6, Folder 56, p. 193. Business History Foundation Records, Historical Collections, Baker Library, Harvard Business School (hereafter Ewing Manuscript).

<sup>21</sup> Ewing Manuscript, Folder 68, Part D, p. 50-56.

<sup>22</sup> Ewing Manuscript, Folder 68, Part C, p. 49; Ewing Manuscript, Folder 8 (1/2), Part A, p. 1-8.

<sup>23</sup> W. T. Easterbrook and H. Aitken, *Canadian Economic History*, Toronto, Macmillan, 1958, p. 521-522; B. Broadfoot and M. Nichols, *Memories: The Story of Imperial's First Century as Told by its Employees and Annuitants*, Toronto, Plow and Watters, 1980, p. 2-3. H. Klassen, *A Business History...*, *op. cit.*, p. 145.

<sup>24</sup> *Ibid.*

was the second largest land administrator in the new territories after the Crown, something that gave this company special advantages when oil was discovered in the twentieth century<sup>25</sup>.

The potential of Alberta as an oil-producing region became apparent after 1910. Between 1910 and 1914, the Canadian Pacific Railway had already made some studies that showed the potential of the Turner Valley in Alberta for oil production, and in 1914 a smaller company, the Calgary Petroleum Products Company (CPP) made the first relevant discovery of good quality oil in that area generating an oil rush in the Turner Valley<sup>26</sup>. Not all the companies were as lucky as the CPP and many bankrupted quickly. During the rush, Imperial took a cautious attitude because its first own studies did not show a very optimistic picture of the Turner Valley's potential. The prospects improved shortly afterwards, but then the legal status became the company's main obstacle<sup>27</sup>.

Imperial had several legal limitations to develop crude production in Alberta. In June 1913 the government established a new set of conditions for oil property development that included absolute British control of the property and of any company formed to exploit oil, the obligation to refine locally, the government's reservation of the right to use the crude produced for naval purposes in times of war, and the government's right to control lessees' facilities in times of war<sup>28</sup>. The new regulations also denied crown

leasehold to any company 'directly or indirectly controlled by foreigners or by a foreign corporation'<sup>29</sup>. In 1915, the British government made the regulations against foreigners even harsher. A new order prohibited non-British or non-Canadian companies or individuals to apply for lands or resources administered by any branch or agency of the federal government<sup>30</sup>.

The British government restrictions left Imperial with just two options: (a) to look for its oil sources abroad; or (b), to do business with Canadian private corporations already holding leases owning oil lands. For the first option in 1914, Imperial created the International Petroleum Company (IPC). The company was going to be in charge of exploring and producing in Latin America. IPC's first goal was to take over the business of the London and Pacific Petroleum Company (organized in 1889), which had oil concessions in the Peruvian coast. After taking over the Pacific Petroleum Company in 1914, IPC acquired another small independent company, the West Coast Oil Fuel Company, which also operated in Peru<sup>31</sup>. The expansion process continued in 1919, when IPC entered Colombia after acquiring the Oklahoma-based firm Tropical Oil Company, which had recently discovered important oilfields in Colombia. That same year, IPC also entered the lucrative and promising Venezuelan oil sector by acquiring 25% of interest in oil produced by Mene Grande Oil Company. By doing these acquisitions through IPC, the parent

<sup>25</sup> D. Breen, *Alberta's Petroleum Industry and the Conservation Board*, Edmonton, University of Alberta Press, 1993, p. 4-5.

<sup>26</sup> D. Breen, "Anglo-American Rivalry and the Evolution of Canadian Petroleum Policy to 1930", *Canadian Historical Review*, Vol. 52, No. 3, September 1981, p. 285; S. Gow, *Roughnecks, Rock Bits and Rigs: The Evolution of Oil Well Drilling in Alberta, 1883-1970*, Calgary, University of Calgary Press, 2006, p. 5; D. Breen, *Alberta... op. cit.*, p. 10-16.

<sup>27</sup> D. Breen, *Alberta... op. cit.*, p. 17.

<sup>28</sup> D. Breen, "Anglo-American...", *art. cit.*, p. 285-286.

<sup>29</sup> D. Breen, *Alberta... op. cit.*, p. 17; D. Breen, "Anglo-American...", *art. cit.*, p. 288.

<sup>30</sup> D. Breen, "Anglo-American...", *art. cit.*, p. 290.

<sup>31</sup> R. Miller, "Small Business in the Peruvian Oil Industry: Lobitos Oilfields Limited before 1934", *Business History Review*, Vol. 56, No. 3, 1982, p. 401-402.

company of both IPC and Imperial, the Standard Oil Company of New Jersey, also sought to avoid being attacked by the US federal agencies and public for not complying with the anti-trust legislation<sup>32</sup>.

The expansion of producing activities to South America did not mean that Imperial was not going to continue trying to produce in Canada. In 1917, Imperial started negotiations with the Canadian Pacific Railway and proposed this company to withhold some lands for Imperial to explore and drill. The Canadian Pacific had the legal right to lease its lands, but considered that the price offered by Imperial was too low<sup>33</sup>. Jersey Standard's archrival, the Royal Dutch-Shell, took advantage of Imperial's impossibility to access Crown lands. As a company established in the Empire, Shell had the right to access Crown lands, something it started doing aggressively in 1917, forcing Imperial to move quickly and make a deal with the Canadian Pacific Railway<sup>34</sup>. Later in 1920, Imperial accessed the CPP lands after a fire destroyed the small company's refinery. CPP's financial crisis led it to sell its wells to Imperial, giving the latter more production capacity<sup>35</sup>.

By 1918, several prominent Albertans protested against the stringent limitations to foreign capital. Considering that these regulations imposed unnecessary obstacles for economic growth, those opposing the regulations argued that a nationalist policy should promote investment and the

exploitation of natural resources, and not the opposite. However, the nationalist voices were more powerful and included many who feared the expansion of Standard Oil of New Jersey in Canada<sup>36</sup>. In reaction to these hostilities, Imperial created the Northwest Company and the Royalite Oil Company with the CPP's assets. The company believed that by having these new "more Canadian" companies, the hostility against it would decrease<sup>37</sup>. By 1919, the year in which IPC started operations in Colombia, Imperial still considered producing in the Turner Valley its main goal. It was only until 1920, when fearing that the legal limitations for companies with foreign ownership to operate in the oil sector would lead to retaliations from the US and would discourage companies to invest in Alberta, the Ottawa government relaxed the restrictions and required the companies to just be "registered or licensed within His Majesty's Dominions"<sup>38</sup>. This did not mean, however, that government interventionism had ended. On the contrary, Ottawa established new very strict regulations to avoid the waste of resources and to promote an orderly exploitation of the product. In addition, the government regulations established that the Crown would retain the right to set a production royalty that could be fixed from time to time<sup>39</sup>. In sum, in the early 1920s Imperial saw the restrictions on foreign ownership of the company lifted, but still had to deal with a nationalist and interventionist government.

<sup>32</sup> G. Gibb and E. Knowlton, *The Resurgent Years, 1911-1927: The History of Standard Oil Company (New Jersey)*, New York, Harper and Brothers, 1956, p. 94-105, 369-380; B. Broadfoot and M. Nichols, *Story of Imperial... op. cit.*, p. 3.

<sup>33</sup> D. Breen, *Alberta... op. cit.*, p.18.

<sup>34</sup> *Ibid.*, p. 20-21.

<sup>35</sup> S. Gow, *Roughnecks... op. cit.*, p. 6.

<sup>36</sup> D. Breen, "Anglo-American...", *art. cit.*, p. 290-292.

<sup>37</sup> S. Gow, *Roughnecks... op. cit.*, p. 6-7.

<sup>38</sup> D. Breen, "Anglo-American...", *op. cit.*, p. 294; D. Breen, *Alberta... op. cit.*, p. 24.

<sup>39</sup> D. Breen, *Alberta... op. cit.*, p. 23-24.



## IMPERIAL'S POLITICAL INFLUENCE IN ALBERTA AND COLOMBIA IN THE EARLY 1920S

Imperial started consolidating its position in the Canadian production sector in 1921. The company continued negotiating with the Canadian Pacific Railway and sponsored a bill to build a pipeline to transport the crude produced in Alberta's Turner Valley. The pipeline proposal to Alberta's legislature faced two reactions: on one hand some nationalists argued that Imperial could use the pipeline to eliminate competitors because its connections with the "Standard Oil octopus [...] would enable [Imperial] to have a monopoly". On the other hand, others argued that impeding Imperial to build the pipeline would jeopardize more investments in the future<sup>40</sup>. The heated debate around the pipeline led Imperial to request the withdrawal of the bill and to approach the federal government. Imperial requested Ottawa a further relaxation of the regulations to permit the company to carry forward, as a credit against rentals to leaseholders of Crown land, 40% of total exploration expenditure rather than the allowed 25%. The government eventually agreed on this, but as table 2 shows, the production results were discouraging and the new regulation gave new ammo to those political groups opposing Imperial's power, like the United Farmers of Alberta Party<sup>41</sup>. In the 1922 general meeting, Imperial's president argued that their quest of Canadian oil sources was a patriotic duty, but complained about the repeated obstacles the government imposed on them<sup>42</sup>.

In 1921, Canadian politics took an inconvenient path for Imperial. After WWI,

**Table 1: Production of Crude Petroleum, Colombia and Canada, 1899-1928**  
Thousands of Barrels of 42 US gallons

	Canada	Colombia
1899	808	-
1900	913	-
1901	757	-
1902	531	-
1903	487	-
1904	553	-
1905	634	-
1906	569	-
1907	789	-
1908	528	-
1909	421	-
1910	316	-
1911	291	-
1912	243	-
1913	228	-
1914	215	-
1915	215	-
1916	198	-
1917	214	-
1918	305	-
1919	241	-
1920	196	-
1921	188	-
1922	179	323
1923	170	424
1924	161	445
1925	332	1007
1926	364	6444
1927	477	15002
1928	618	19900
Total 1862-1928	27352	43545

Source: American Petroleum Institute, *Petroleum Facts and Figures*, Washington, American Petroleum Institute, 1929, p. 6-7.

the standard of living of Canadian farmers declined with respect to other workers and the working class of Western Canada started rebelling against the traditional Liberal and Conservative parties, which they considered representative of the business interests of

<sup>40</sup> D. Breen, *Alberta...*, *op. cit.*, p. 36.

<sup>41</sup> G. T. Milne, *Report on the Financial, Industrial, and Commercial Conditions in Canada*, London, Department of Overseas Trade, 1922, p. 31; D. Breen, *Alberta...*, *op. cit.*, p. 37.

<sup>42</sup> "Minutes of Annual General Meeting of Imperial Oil Limited", Toronto, Ontario, January 1922. Imperial Oil Archive, Glenbow Museum, Calgary, Alberta, p. 4. Hereafter, "Minutes GM".

Eastern Canada. The popular discontent was reflected in the 1921 elections when the National Progressive Party of Canada, with a strong anti-big business farmer constituency won more parliamentary seats than any other third party breaking the absolute control Conservatives and Liberals had had until then<sup>43</sup>. Reflecting this trend, the United Farmers of Alberta Party (UFA), an organization already hostile to Imperial Oil, took control of the province of Alberta in 1921<sup>44</sup>. As a result, after 1921 the Canadian government passed new laws seeking to keep domestic oil prices down<sup>45</sup>. In 1923, the Alberta government considered increasing taxation in oil lands that had been alienated from the Crown. Shortly afterwards, the UFA government opposed the exports of natural gas Imperial wanted to do to the neighboring American state of Montana, something which started a national debate on whether or not the provinces should have this kind of power. The Alberta government settled the debate by approving the new Oil and Gas Wells Act, which gave the government the power to regulate production in proportion to the market demand and particularly avoid gas waste. The law also established that firms would be consulted in these matters<sup>46</sup>.

By 1921, Imperial's political influence was stronger in Colombia than in Canada. Imperial entered Colombia through IPC by acquiring the US firm Tropical Oil Company through IPC. Tropical had been awarded

with the rich De Mares Concession in 1916 and made the first relevant discoveries in 1918. Shortly after the discovery, the Colombian government attempted to make a quick change in the legislation by increasing taxation, royalties, declaring oil fields public utilities, and limiting concessions for thirty years<sup>47</sup>. In order to overcome this, IPC made use of Jersey's US corporate citizenship. By that time Colombia and the US had gone through lengthy negotiations regarding the payment of reparations from the US to Colombia for the loss of Panama. Before 1903, Panama was a Colombian province but separated from Colombia with US support. After Panama's independence, the Panamanian government gave the US sovereignty over the area where the Panama Canal was going to be. When the Colombian government wrote its nationalistic law, the US government decided to postpone the ratification of a Panama settlement treaty until the Colombian government made some changes to its oil laws<sup>48</sup>. The Colombian president Marco Fidel Suárez, was a strong supporter of foreign investment and after the nationalist decree was approved he telegraphed the Colombian consul in New York and instructed him to assure foreign oil investors that they had nothing to fear about the new legislation<sup>49</sup>. A few months later, the Colombian Supreme Court declared the nationalist legislation unconstitutional for the relief of foreign investors. IPC, however,

<sup>43</sup> C. Leithner, "The National Progressive Party of Canada, 1921-1930: Agricultural Economic Conditions and Electoral Support", *Canadian Journal of Political Science*, Vol. 26, No. 3, 1993, p. 435-438.

<sup>44</sup> P. Grayson and L. M. Grayson, "The Social Base of Interwar Political Unrest in Urban Alberta", *Canadian Journal of Political Science*, Vol. 7, No. 2, 1974, p. 289-313.

<sup>45</sup> R. J. McFall, "Regulation of Business in Canada", *Political Science Quarterly*, Vol. 37, No. 2, 1922, p. 200.

<sup>46</sup> D. Breen, *Alberta, op. cit.*, p. 52-53.

<sup>47</sup> G. Gibb and E. Knowlton, *The Resurgent Years, op. cit.*, p. 370.

<sup>48</sup> M. Wilkins, "Multinational Oil Companies in South America in the 1920s: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, and Peru", *Business History Review*, Vol. 48, 1974, p. 430; M. Wilkins, *The Maturing of Multinational Enterprise: American Business Abroad from 1914 to 1970*, Cambridge (Mass.), Harvard University Press, 1974, 27; A. López, "La cuestión del Canal desde la secesión de Panamá hasta el Tratado de Montería", in A. Tirado Mejía (ed.), *Nueva Historia de Colombia*, vol. 1, Bogota, Planeta, 1989, p. 164.

<sup>49</sup> J. O. Melo, "De Carlos E. Restrepo a Marco Fidel Suárez: Republicanismo y gobiernos conservadores", in A. Tirado Mejía (ed.), *Nueva Historia de Colombia, op. cit.*, p. 239-240.

needed the relationships between Colombia and the US to go back to normal and lobbied in Washington for a quick approval of the reparations payment from the United States. For years, Republican senators had opposed the idea of reparations for considering that this would be recognition that the US had done something wrong. In 1921, after strong lobbying of IPC's high-ranking official James Flanagan in Washington, the Republican senators approved the payment of reparations, giving Flanagan and IPC a strong political influence in Colombia<sup>50</sup>. Flanagan's actions also facilitated the approval by the Colombian government of a concession to build a pipeline to transport the oil more than 360 miles from the fields to the Colombian Caribbean<sup>51</sup>.

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## IMPERIAL'S POLITICAL AND TECHNICAL PROBLEMS IN ALBERTA AND THE CONSOLIDATION OF COLOMBIAN PRODUCTION OPERATIONS

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The Colombian wells also proved to be more productive than those in Alberta's Turner Valley. In the first three years of operation (1921-1923) the Colombian production jumped from 66 750 barrels to 424 875<sup>52</sup>. In contrast, the total Canadian

production in 1922 was 178 567 barrels<sup>53</sup>. Imperial's president Charles O. Stillman acknowledged in the 1923 General Meeting that "the results of the operations which we have conducted during the year in South America have in a considerable measure offset the absence of any very definite success in the Canadian Northwest". In the same meeting Stillman highlighted the speed under which the Colombian operations were taking place in contrast to those in Canada<sup>54</sup>.

Between 1923 and 1925, Imperial faced new economic political challenges in North America. First, the Canadian oilfields were showing disappointing results in spite of all the efforts by Imperial and other companies<sup>55</sup>. Second, overproduction in the United States led to a general fall in international prices<sup>56</sup>. Many American companies tried to compensate the excess of supply in their country by exporting their oil to Canada, depressing Canadian prices even more and forcing Imperial to reduce its prices as well<sup>57</sup>.

Foreign trade also created challenges to Imperial. In 1924, the United States started considering imposing an embargo on foreign oil products to protect domestic production and companies<sup>58</sup>. Even though Imperial had suffered from the flood of US oil, it still depended on US imports. The possibility of not being able to import more US oil led Imperial's president to state in the 1924 general meeting that under those

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<sup>50</sup> T. Parks Taylor, *Colombia and the United States, 1765-1934*, Durham, Duke University Press, 1935, p. 452-456; R. De la Pedraja, *Historia de la Energía*, op. cit., p. 192.

<sup>51</sup> J. Villegas, *Petróleo*, op. cit., p. 46-68.

<sup>52</sup> Colombia. Ministerio de Minas y Petróleos, *Memoria 1944*, Bogota, Imprenta Nacional, 1944, p. 43.

<sup>53</sup> L. B. Beale, *Report on the Financial, Industrial, and Commercial Conditions in Canada*, London, Department of Overseas Trade, 1922, p. 32.

<sup>54</sup> Minutes 1923, GM, p. 3.

<sup>55</sup> V. Lauriston, "News from Fields of Canada", *Oil and Gas Journal*, Vol. 21, No. 41, March 8, 1923, p. 42.

<sup>56</sup> W. H. Voskuil, "Price Stabilization in Oil Through Control of Production", *Annals of the American Academy of Political and Social Science*, Vol. 139, 1928, p. 80-81.

<sup>57</sup> Minutes, 1925, GM, p. 2.

<sup>58</sup> T. Meloe, *United States Control of Petroleum Imports*, PhD Dissertation, Columbia University, 1966, p. 14-15, 22.

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**Table 2. Colombia. IPC's Refining of Crude Oil, 1922-1932 (Daily Average). Barrels of 42 US gallons**

	Barrels
1922	600
1923	900
1924	800
1925	1600
1926	2000
1927	3300
1928	4000
1929	4700
1930	3400
1931	3500
1932	2600

Source: H. Larson, E. Knowlton, and C. Popple, *New Horizons: History of Standard Oil Company (New Jersey) 1927-1950*, New York, Harper and Row, 1971, p. 200-201, 499; G. Gibb and E. Knowlton, *The Resurgent Years, 1911-1927: The History of the Standard Oil Company (New Jersey)*, New York, Harper, 1956, p. 678-679.

circumstances, the company was going to be forced to look for new sources<sup>59</sup>.

It is not surprising that Imperial's management disliked the measures taken by both the Albertan and Canadian governments in critical times. In the 1924 meeting, Imperial's president G. Harrison Smith emphasized that despite the difficulties they had not abandoned production efforts in the Canadian West, "contrary to current report[s]"<sup>60</sup>. He added that the drilling operations "so far from receiving any government support, had been the source of considerable revenue for the Dominion government through the payment of rentals for leases of government lands, and to the

provincial government through the payment of taxes"<sup>61</sup>. During this meeting Smith insisted that his company wanted to make Canada self-sufficient in oil, but that government regulations and lack of government support were a constant obstacle. These were times in which the Canadian financial community criticized the anti-US attitude of many politicians who wanted to control the entry of US capital into Canada. Aware that London's role as the world's financial center had been replaced by New York, influential newspapers like the *Toronto Globe*, the *Financial Post*, and the *Montreal Star* advocated for a more US-friendly policy and against the kind of actions promoted by parties like the UFA<sup>62</sup>.

By 1923, the main problems Imperial faced in Colombia were not political but technical. The company was satisfied with the level of production but needed to complete a pipeline to be able to export the oil. With depressed markets export was not an attractive option so the company focused on local demand. Even without the pipeline, the company was making profits by selling to the Colombian domestic market<sup>63</sup>. Smith reported to the company, however, that the Colombian fields showed incredible potential for when markets recovered<sup>64</sup>. The company had faced strikes in Colombia in 1922, which were not mentioned in the general meetings, something that shows the little impact they had in the company's operations. In these strikes, IPC had complete government support at repressing the workers<sup>65</sup>. In addition, in 1923 the Colombian government of Conservative President Pedro Nel Ospina wrote new oil

<sup>59</sup> Minutes, 1924, GM, p. 2.

<sup>60</sup> *Ibid.*

<sup>61</sup> *Ibid.*

<sup>62</sup> G. Wrong, "Relations with the United States", *Canadian Annual Review of Public Affairs*, Toronto, The Canadian Review, 1925, p. 80-81.

<sup>63</sup> R. De la Pedraja, *Historia de la Energía...*, op. cit., p. 197.

<sup>64</sup> Minutes, 1924, GM, p. 3.

<sup>65</sup> R. De la Pedraja, *Historia de la Energía...*, op. cit., p. 200.

legislation, which increased concession deadlines and the time investors had to start production operations, creating a better environment to foreign investors<sup>66</sup>.

The Colombian government support to Imperial's operations was not limited to pro-foreign business legislation. In October 1924, the Barrancabermeja oil workers went on strike demanding higher wages. IPC's subsidiary, the Tropical Oil Company, refused to negotiate with the workers and requested government intervention. The Conservative government of president Pedro Nel Ospina saw this strike as a Communist threat and sent the Army to Barrancabermeja, declared the strike illegal, and arrested hundreds of workers<sup>67</sup>. This defeat, however, did not end the labor conflicts in the oil region and the company had to face some new strikes in the years to come. In the coming conflicts the Colombian government sided with the company against the workers.

President Smith was aware of the different opportunities Canada and Colombia offered to Imperial's ambition of integrating vertically. Acknowledging the increasing dependence on the South American operations, Smith said that "profits aside from our South American subsidiary, failed to increase", and "failing to develop a [Canadian] source of supply, the company through [...]. IPC has made considerable progress in developing a crude oil production in Peru and Colombia". In addition, in view of the potential US restrictions to oil exports,

"the development of an independent source of supply [in Colombia and Peru] by Imperial Oil, must be regarded as an important national safeguard"<sup>68</sup>. As Table 2 shows, from the very beginning of the Colombian oil industry, the South American country had a production significantly higher than Canada.

In 1924, the company increased its hopes to start producing in Canada after some discoveries in the Turner Valley by its affiliate the Royalite Company<sup>69</sup>. The hope was short-lived. The excessive amount of gas present in the wells made exploitation difficult and government regulations did not permit the companies to just burn the gas<sup>70</sup>. This led Smith to highlight that in spite of labor strikes in Colombia, production results were much better than in Canada. Additionally, between 1924 and 1925 Imperial's sales in Colombian territory increased in 58% despite price hikes of around 28%<sup>71</sup>. Increasing demand encouraged more refining (Table 2) and drilling more wells in the concession area<sup>72</sup>.

In 1926, IPC finished the construction of the pipeline through its affiliate the Andian Corporation and started the first Colombian oil exports. The 360-mile pipeline connected the Infantas oilfields to the port of Cartagena. In 1926, IPC exported 4 million barrels skyrocketing to 13.7 million in 1927 and 17.9 million in 1928<sup>73</sup>. For Imperial's management, Colombian production levels were so high that the Andian pipeline did not

<sup>66</sup> J. Villegas, *Petróleo*, *op. cit.*, p. 108-110.

<sup>67</sup> G. Colmenares, "Ospina y Abadía: la política en el decenio de los veinte", in A. Tirado Mejía (ed.), *Nueva Historia de Colombia*, *op. cit.*, vol. I, p. 256.

<sup>68</sup> Minutes, 1924, GM, p. 2.

<sup>69</sup> W. A. Craick, "Industries and Commerce", *Canadian Annual Review of Public Affairs, 1925-1926*, Toronto, Ontario Press Limited, 1926, p. 253; J. A. Aikin, "The Province of Alberta", *Canadian Annual Review of Public Affairs, 1925-1926*, Toronto, Ontario Press Limited, 1926, p. 504.

<sup>70</sup> F. W. Field, *Report on the Financial, Industrial, and Commercial Conditions in Canada*, London, Department of Overseas Trade, 1930, p. 48; D. Breen, *Alberta... op. cit.*, p. 6-58.

<sup>71</sup> Minutes 1925, GM, p. 3-4; Minutes 1926, GM, p. 2.

<sup>72</sup> Minutes, 1925, GM, p. 2.

<sup>73</sup> R. De la Pedraja, *Historia de la Energía*, *op. cit.*, p. 198.

have enough capacity from its first day of operation forcing the company to start planning immediately ways to increase its capacity<sup>74</sup>.

The Canadian business press celebrated Imperial's development in Colombia. In May 1926, the *Financial Post* published a long article that referred to Imperial's president G. Harrison Smith as the "uncrowned oil king of Latin America"<sup>75</sup>. Although born in the United States, Smith emphasized the patriotic role Imperial played in Canada at trying to make the country self-sufficient in oil sources and expressed that the company's success was a result of "Canadian courage, Canadian ability, and Canadian patriotism"<sup>76</sup>. The newspaper also highlighted the fact that in less than five years Imperial managed to make of Colombia a "major oil producer"<sup>77</sup>. In early 1927, Imperial announced that it had increased the Andian's pipeline capacity, generating new optimistic articles about the company's prospects<sup>78</sup>. For the *Financial Post* the expansion of Colombian and Peruvian operations explained the increase of the company's stock price from \$27 1/2 in 1922 to \$39 in 1927<sup>79</sup>. Table 3 shows the importance of IPC in turning Colombia into an oil exporting country. For the period I analyze, IPC controlled almost all the exports. Production for both exports and domestic consumption was almost completely controlled by IPC as shown in Table 4.

As the 1920s ended, Imperial did not give up looking for large crude sources in Alberta but its Colombian operations still proved better. In 1926 and 1927, the company made some significant discoveries in the Turner Valley, but the fields there still presented

**Table 3. Colombia. Exports of Crude Petroleum in Barrels of 42 US Gallons, 1926-1933**

	Colombia	IPC
1926	4642249	4637986
1927	13679199	13677478
1928	17911168	17910168
1929	18600869	18600467
1930	19113106	19112813
1931	16989060	16989071
1932	15321540	15321540
1933	11805701	11805701

Source: Colombia, Ministerio de Minas y Petróleos, *Memoria 1944*, Bogota, Imprenta Nacional, 1944, p. 44-88.

**Table 4. Colombia. Production of Crude Oil. National production vs. IPC production and IPC Participation in Total Production, 1921-1936 (Barrels 42 US Gallons)**

	Colombia	IPC	IPC participation/ Total (%)
1921	66750	66750	100
1922	322786	322786	100
1923	424875	424875	100
1924	444744	444744	100
1925	1006708	1006708	100
1926	6443587	6443587	100
1927	15014474	14936970	99.5
1928	19896797	19651947	98.7
1929	20384547	20055497	98.4
1930	20345916	19954484	98
1931	18237190	17817293	97.7
1932	16417123	16046509	97.7
1933	13157642	12854118	97.7
1934	17340723	16949844	97.7
1935	17597655	17237134	97.9
1936	18756119	18483732	98.5

Source: Colombia, Ministerio de Minas y Petróleos, *Memoria 1944*, Bogota, Imprenta Nacional, 1944, pp. 88, 102.

<sup>74</sup> Minutes, 1927, GM, p. 4.

<sup>75</sup> F. Ayearst, "G. Harrison Smith: The Power Behind the South American Oil Fields", *Financial Post*, May 7, 1926, p. 10.

<sup>76</sup> F. Ayearst, "G. Harrison...", *art. cit.*, p. 10.

<sup>77</sup> "International 'Pete's' Amazing Development in Colombian Fields", *Financial Post*, August 6, 1926, p. 11.

<sup>78</sup> "International Petroleum to Increase Production by 40 Per Cent at Same Cost", *Financial Post*, May 20, 1927, p. 1, 9.

<sup>79</sup> "International 'Pete' Attracts Attention: Say Earnings \$5.00", *Financial Post*, December 16, 1927, p. 24.

“extraordinary drilling difficulties”<sup>80</sup>. As Table 5 shows, 1927 marked the turning point for Imperial’s production in Alberta, something that could give Imperial some hope. Nevertheless, Colombian production was still much ahead from Alberta’s as Table 1 shows. Moreover, the company reported that the quality of the oil produced in Colombia was higher than the one produced in Canada<sup>81</sup>.

In the 1928 general meeting, President Stillman acknowledged that political problems in Colombia had disrupted the company’s operations. Stillman referred to the 1927 strike in the Colombian oil city of Barrancabermeja, the center of IPC’s operations in Colombia. The strike started in January 5 and 7 000 workers had joined it by January 12. The main leader behind the strike was Raúl Eduardo Mahecha, one of Colombia’s most important labor leaders of the twentieth century, who managed to have other labor unions from all over the country joining the strike paralyzing the country’s economy. The strike finished in January 27, when the government repressed it with the Army and arrested Mahecha and other revolutionary leaders<sup>82</sup>. Mahecha was freed some months later and moved to the Caribbean to organize labor unions among the workers of the United Fruit Company. The Barrancabermeja strike is considered a crucial moment in the history of the Colombian labor movement<sup>83</sup>.

Although the strike ended with government repression, the company

**Table 5. Canada. Production of Crude Petroleum, Alberta and Ontario, 1925-1929 (Barrels)**

	Ontario	Alberta
1925	143134	168643
1926	137850	219598
1927	139600	332133
1928	134094	489531
1929	125000	997359

Source: F. W. Field, *Economic Conditions in Canada to May 1930*, London, Department of Overseas Trade, 1930, p. 48.

invested in new welfare facilities once the strike was over. In the 1928 meeting, president Stillman announced the construction of a new hospital in the town of El Centro and reported “no serious illness” problems among its workers<sup>84</sup>. These developments were also echoed in lengthy articles in the *Financial Post*. *Post* reporters said that IPC had “built where a tangled jungle once existed, an industrial and residential centre of which any small Canadian city might be proud. It has built hospitals, ice and cold storage plants and put into effect drainage and sanitary measures which practically eradicated mosquitoes and others sources of disease”<sup>85</sup>. IPC’s detractors have also acknowledged that the company made significant investments in infrastructure and health facilities in the Barrancabermeja area. However, they emphasize that these facilities were for the Canadian staff rather than for the local one<sup>86</sup>. Moreover, several studies have argued that with these investments IPC created an

<sup>80</sup> Minutes, 1928, GM, p. 5; W. A. Craick, “Industries and Commerce”, *Canadian Annual Review of Public Affairs*, Toronto, Canadian Review Press, 1927, p. 260-261.

<sup>81</sup> Minutes, 1928, GM, p. 6.

<sup>82</sup> For details of the strike and the government repression see J. Yunis, *Barrancabermeja: nacimiento de la clase obrera*, Bogota, Tres Culturas, 1986.

<sup>83</sup> M. Archila, *Aquí nadie es forastero: testimonios sobre la formación de una cultura radical: Barrancabermeja, 1920-1950*, Bogota, CINEP, 1986; M. Urrutia, *The Development of the Colombian Labor Movement*, New Haven, Yale University Press, 1969.

<sup>84</sup> Minutes, 1928, GM, p. 8.

<sup>85</sup> “International Petroleum Has Built Great Industry Out of South American Jungle”, *Financial Post*, March 27, 1930, p. 36.

<sup>86</sup> R. De la Pedraja, *Historia de la Energía*, op. cit., p. 199.

economic enclave with little economic relations with the rest of the region besides oil exports<sup>87</sup>. Some of the celebratory descriptions made by the *Financial Post* reinforce some of these interpretations. "The El Centro Camp", the journalist wrote, "is entirely self-sustaining. Everything is owned by the company even the river steamers and the standard gauge railways which bring in materials, supplies, and food. The entire operation is in the process of being electrified. Every possible eventuality is provided for in shop, foundry, and warehouse"<sup>88</sup>.

By 1927, it was clear that Imperial's process of vertical integration had been more successful in Colombia than in Canada. Not only was the company successful at finding new sources assuring more independence from the (at that time not very reliable US sources), but also the company became highly influential in Colombian politics after its intervention in the Panama affair and by turning that country into an oil exporter.

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## REINFORCING POLITICAL RELATIONS IN COLOMBIA IN TIMES OF DISAPPOINTING RESULTS IN ALBERTA

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The labor strike was not the only problem Imperial had in Colombia in 1927. Partly as a result of the strike, members of the ruling Conservative Party suggested that the government revised the oil policy. Members of the business-friendly Conservative Party, including the Ministry of Industries José Antonio Montalvo, advocated for a more

nationalist oil policy. Montalvo proposed a new legislation by which oil could only be exploited by the national government or in joint ventures with foreign companies. Additionally, he proposed an increase in royalties from 10% to 15% and started negotiations with Anglo-Persian in order to break IPC's power in Colombia<sup>89</sup>.

IPC and Gulf (the other main multinational operating in Colombia) reacted to the government's initiative by requesting help from the United States Department of State. This approach was unsuccessful in the beginning because the American ambassador in Colombia advised not to intervene and considered unfair to try to block Anglo-Persian's possible entry in Colombia. The situation changed when in 1928 Anglo-Persian decided Colombia was not worth a confrontation with the US multinationals and a new American ambassador (closer to Jersey and Gulf's interests) was appointed in Colombia. The Colombian government eventually dropped the nationalist project debilitating the ruling Conservative Party for the 1930 presidential elections<sup>90</sup>.

Labor problems in Colombia affected IPC's operations more than the government's attempts to write a nationalist constitution. In the 1928 meeting, president Stillman mentioned the labor strikes as serious problems but did not mention Montalvo's hostility. This is understandable because the strike did take place while the nationalist legislation was not approved by the Colombian congress. The effects of the strike, however, were limited to the first two months of the year. According to Stillman, the company quickly recovered and exploration and production activities

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<sup>87</sup> E. Revéiz, A. Dávila, and D. Otero, "Análisis de algunos impactos regionales de tres complejos industriales en Colombia: estudio de tres casos". Documento Cede 045, Bogota, Universidad de los Andes, 1977; M. Jiménez and S. Sideri, *Historia del desarrollo regional en Colombia*, Bogota, Universidad de los Andes, 1985; E. Havens and M. Romieux, *Barrancabermeja: conflictos sociales en torno a un centro petrolero*, Bogotá, Universidad Nacional, 1966.

<sup>88</sup> "International Petroleum Has Built", *art. cit.*, p. 36.

<sup>89</sup> J. Villegas, *Petroleo...*, *op. cit.*, p. 27-132.

<sup>90</sup> R. De la Pedraja, *Petróleo...*, *op. cit.*, p. 28-33.



continued with no interruption during 1927<sup>91</sup>. The internal marketing activities in Colombia also showed a good performance that year with an increase in sales of refined products of 65% with respect to 1926<sup>92</sup>.

By the end of the 1920s, Imperial's management admitted that its ambition to vertically integrate operations had to depend on its South American production than on the Canadian one. In 1929, Stillman summarized Imperial's efforts in Canada by reporting that "for years the company [...] devoted large sums and the best available technical knowledge to the search for a Canadian supply of petroleum sufficient to meet the requirements of the country [...]. Production in large scale has not been attained [but Imperial] is continuing vigorously to prosecute the work [...]. Production in the Turner Valley has assumed considerable proportions and has added materially to the wealth of the Province of Alberta, but it has not in any appreciable degree lessened the dependence of the Dominion upon foreign sources [...]. Fortunately, the development through IPC of prolific fields in South America has assured, pending further investigation of the resources of [Canada], a sufficient supply of crude petroleum"<sup>93</sup>. Moreover, Colombia was proving to be not only a good source of crude, but also a good market for the products IPC refined in the Barrancabermeja refinery. The company had optimism on Colombia's development prospects because of government plans of highway construction, and expanded the number of gas stations in Colombia through

its marketing department and the number of boats transporting oil along the Magdalena River<sup>94</sup>.

By the late 1920s, the company also reported a more business friendly environment in Colombia than in Canada. Stillman contrasted the openness of the Colombian government to its operations with the restrictions imposed upon them in Canada. While criticizing the Canadian government, he praised the "collaborative" attitude, the "spirit of goodwill and cooperation" and the "sound financial reforms" of the government in Colombia<sup>95</sup>. Stillman had something to feel good about regarding the Colombian government. After the brief attempt to develop a nationalist policy in 1927, the government did not challenge the companies again. The Conservative Party lost the 1930 presidential elections and the new president, the Liberal Enrique Olaya Herrera, took a conciliatory and friendly attitude towards oil corporations. According to René de la Pedraja, Olaya created an alliance between foreign oil companies and Colombia's ruling classes<sup>96</sup>. As a result, Colombia did not develop the kind of nationalist policies in the oil sector other Latin American countries like Mexico, Argentina, Bolivia, or Chile followed in the 1930s<sup>97</sup>.

Imperial's dependence on international operations was apparent by the early 1930s. The percentage of income generated from operations outside Canada on total earnings hiked from 32% of the total in 1929 to 60%

<sup>91</sup> Minutes, GM, 1928, p. 6.

<sup>92</sup> Minutes, GM, 1928, p. 7.

<sup>93</sup> Minutes, GM, 1929, p. 2.

<sup>94</sup> Minutes, GM, 1929, p. 5.

<sup>95</sup> Minutes, GM, 1931, p. 3; Minutes, GM, 1930, p. 3; Minutes, GM, 1929, p. 6.

<sup>96</sup> R. De la Pedraja, *Petróleo...*, *op. cit.*, p. 39-64.

<sup>97</sup> See N. Gadano, *Historia del petróleo en la Argentina, 1907-1955: desde los inicios hasta la caída de Perón*. Buenos Aires, Edhasa, 2006; L. Meyer, *Mexico and the United States in the Oil Controversy*. Austin, University of Texas Press, 1977; J. Spencer, *Oil, Politics, and Economic Nationalism in Bolivia, 1899-1942: The Case of the Standard Oil Company of Bolivia*, PhD dissertation, University of California in Los Angeles, 1996; M. Bucheli, "Multinational Corporations, Business Groups, and Economic Nationalism: Standard Oil (New Jersey), Royal Dutch-Shell, and Energy Politics in Chile, 1913-2005", mimeo, University of Illinois, 2008; G. Philip, *Oil and Politics...*, *op. cit.*

in 1933<sup>98</sup>. Between 1931 and 1932, Canadian crude production decreased from 1 584 455 barrels to 1 054 366. Most of this production was in Alberta and in hands of Imperial<sup>99</sup>. Imperial's own crude production decreased 33,4% during those two years<sup>100</sup>. The economic crisis of those years due to the Great Depression also led to a fall in Canadian petroleum consumption of 10-12%<sup>101</sup>. In the meantime, the company had to curtail Colombian production in order to avoid pressuring prices downwards<sup>102</sup>. As a result, Colombian exports decreased as shown in Table 3. In the 1930s, Imperial increased its dependence on oil production in Colombia and Peru. The Turner Valley fields, although increasingly productive, did not produce in competitive quantities until 1947, when Imperial finally made the first discoveries that made the province of Alberta a major player in world's production<sup>103</sup>.

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## CONCLUSION

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The internal organization of very large multinational corporations like Standard Oil Company (New Jersey), forces scholars to have a flexible definition of what we mean with "home country". No one doubts that Jersey was an American company. However, the complex web of affiliates it had around the world shows that we can not analyze this company's operations as ones in which all the decisions were made in Jersey's headquarters at 26 Broadway in Manhattan. Nor can we assume that this company's operations necessarily represented American economic interests abroad. These aspects are

particularly important when we analyze the political relations between the company and different host governments – a concept that also becomes more complex when taking into account the corporate citizenship of different affiliates.

Imperial was a Canadian corporation, established by Canadian citizens to conduct operations in Canada. However, once Jersey acquired a large percentage of its shares it was not considered a Canadian company by many Canadian policymakers. In its operations in Alberta's Turner Valley, however, Imperial acted under the belief that the search of Canadian crude sources was a patriotic duty to make Canada independent from US imported oil. Until the late 1910s, Imperial had specialized in the marketing of oil products in the Canadian market, with oil imported from the United States. Then the company tried to vertically integrate its operations by adding crude sources in Canada and South America. During this process, the operations in Colombia gradually showed better prospects than those in Canada. Not only did Colombia have richer fields, but also the South American country counted with a government that imposed fewer restrictions on Imperial's operations. The Colombian operations started as a complement for the production operations in Canada, but Colombian fields ended up being one of Imperial's main crude sources together with those in Peru. This shows that it is not possible to have a complete understanding of the development of Colombia's oil sector without taking into account the conditions the company faced in one of its home countries.

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<sup>98</sup> Minutes, GM, 1930, p.1; Minutes, GM, 1933, p. 1.

<sup>99</sup> F. W. Field, *Report on the Financial, Industrial, and Commercial Conditions in Canada*, London, Department of Overseas Trade, 1932-1933, p. 69.

<sup>100</sup> *Ibid.*, p. 70.

<sup>101</sup> *Ibid.*, p. 71.

<sup>102</sup> Minutes, GM, 1931, p. 3.

<sup>103</sup> D. Yergin, *The Prize: The Epic Quest for Oil, Money, and Power*, New York, Simon & Schuster, 1992, p. 409.

The paper also shows that whenever Imperial faced political problems in Colombia it appealed to the US government rather than the Canadian one. Colombian politicians considered IPC an American company and the US government acted on its behalf when needed. Here one needs to take into account one important characteristic of Imperial's original home country: it was not a sovereign nation. The first Canadian embassies in Latin America only appeared after World War II, so Imperial's operations should have been a matter of concern for the British Empire. The British, however, were more concerned about defending the interests of its main companies (the Royal Dutch-Shell or Anglo-Persian) abroad, rather than a company whose ownership was in hands of Shell's main rival in the international markets (Jersey). This fact does not make Imperial "less Canadian" than it was, but it shows how ownership complexities affect the political relationships of companies with governments. Imperial could claim the US, Canada, and Britain as their home country, but each of these three countries treated it as a foreign company at different times.

The implications of my findings are the following: first, I show that IPC's Canadian corporate citizenship was relevant. Scholars studying the company's operations in Colombia do not give importance to IPC's Canadian origin, neglecting to analyze the way the political economy of the Canadian oil industry affected the development of the Colombian oil sector. Second, they tend to assume a direct decision making process from New York to the decisions made by Tropical Oil in Colombia. By doing this they ignore the different layers in the decision making process of multinational corporations. The US corporation Tropical Oil belonged to the Canadian company International Petroleum, which belonged to another Canadian enterprise, the Imperial Oil Limited, which was partially owned by the US firm Standard Oil (New Jersey). The center of decisions was Toronto rather than New York, but the Toronto officials were accountable to the New York headquarters. Imperial had both Canadian and American shareholders and had to respond to the needs and regulations of the Canadian government, while complying with regulations in the United States and Colombia.

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## ONT COLLABORÉ À CE NUMÉRO

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avons-nous tenté de faire ici l'analyse des problèmes qu'ont dû résoudre les frères Maurer, d'origine alsacienne, pour développer et consolider leur entreprise. Celle-ci comprend des épisodes au cours desquels ils ont dû se défendre avec les armes, ou bien un mariage heureux qui a permis à l'un d'eux d'enraciner la famille dans la société mexicaine et d'arriver à constituer toute une dynastie d'entrepreneurs.

***CULTURAL PROBLEMS AND THE ORIGINS OF A FIRM. THE ADAPTATION PROCESS OF THE MAURER FAMILY IN 19TH CENTURY (MEXICO 1853-1890)***

Research on the genesis of firms has mostly taken into account the industrial, commercial, financial aspects of business, so as to assess their viability.

The coming of French immigrants to Mexico led to the making of a group of well-known entrepreneurs. Their history has already been studied by a very good literature. However some gaps remain, such as the assimilation processes of the immigrants in this large country, a major topic in order to understand their role in the host society. This is why we attempt here to analyze the problems the Alsatian-born Maurer brothers faced as they managed their company towards growth. These include such episodes as self-defence with guns at hand or a happy wedding which enabled one of them to get rooted in local society and to constitute an entrepreneurial dynasty.

— Marcelo BUCHELI

***GRANDES FIRMES MULTINATIONALES CANADIENNES ET NATIONALISME ÉCONOMIQUE : LE CAS DE L'IMPÉRIAL OIL LIMITED DANS L'ALBERTA (CANADA) ET EN COLOMBIE DE 1899 A 1938***

Au cours du XX<sup>e</sup> siècle, le capital canadien s'est investi dans le secteur pétrolier latino-américain par l'entremise de l'International Petroleum Company (IPC). Jusqu'à ce jour, les chercheurs ont négligé de prendre en compte la citoyenneté canadienne de l'IPC et l'ont considérée comme une compagnie américaine parce que l'IPC était une filiale de la Standard Oil of New Jersey. En utilisant un corpus inexploité de sources de première main, cet article montre que l'implantation de l'IPC en Colombie a constitué une réponse à l'âpre concurrence qu'elle rencontrait au Canada, à ses échecs pour trouver des gisements de brut au Canada et à l'hostilité politique que le mouvement progressiste lui a manifestée au Canada. À l'origine, la compagnie voulait utiliser les gisements colombiens comme un complément à ceux du Canada. Les conditions politiques et le manque de ressources au Canada ont fait de la Colombie un fournisseur majeur de brut pour l'IPC.

***CANADIAN MULTINATIONAL CORPORATIONS AND ECONOMIC NATIONALISM: THE CASE OF IMPERIAL OIL LIMITED IN ALBERTA (CANADA) AND COLOMBIA, 1899-1938***

During the twentieth century, Canadian capital invested in the Latin American oil sector through the International Petroleum Company (IPC). Up to date, scholars have neglected to take into account IPC's Canadian corporate citizenship and have analyzed it as an American company because IPC was a subsidiary of the Standard Oil Company (New Jersey). By using an unexplored body of primary sources, this paper argues that IPC's operations in Colombia were a response to the harsh competition it was facing in Canada, the company's lack of success at finding crude sources in Canada, and Canadian political hostility by the progressive movement. In contrast, the company found rich fields in Colombia and a pro-business government. Initially, the company wanted to use the Colombian fields as a

complement to those in Canada. The political conditions and lack of resources, however, made of Colombia a major provider of crude for IPC.

— Felipe PORTOCARRERO

### **DE LA NOBLEZA A LA BURGUESÍA: LA ÉLITE ECONÓMICA DEL PERÚ 1916-1960**

¿Cuáles fueron las evoluciones y las transformaciones históricas que existen entre la élite comercial del período colonial, la plutocracia litoral, que floreció en el siglo XIX gracias al comercio del *guano*, y la nueva élite económica de inicios del siglo XX, consolidada en las décadas siguientes?, ¿Cuáles son los principales sectores donde las élites han invertido sus riquezas? ¿Quiénes son los representantes de la nueva clase superior peruana a inicios del siglo XX? ¿Cuál es la importancia de la presencia de extranjeros al interior de la élite económica? Y finalmente, ¿Cuál es la dimensión de las más importantes fortunas del siglo XX?

Después de un breve debate sobre las fuentes y la metodología, con el fin de responder a estas preguntas, el artículo aborda tres problemáticas. Primeramente, un breve resumen presenta las características mayores de la clase superior peruana y los cambios sucesivos de identidad de sus *miembros*. En segundo lugar, se examina la composición social de la élite que trabaja para consolidar la preeminencia económica en los albores del siglo XX. En tercer lugar, la estructura de la riqueza de esta élite ha sido reconstituida gracias a una cuantificación de sus inversiones y a la composición de sus activos más significativos. Finalmente los diferentes estratos que forman este grupo social, han sido establecidos en términos de importancia relativa de las fortunas acumuladas.

— Norma LANCIOTTI y Andrea LLUCH

### **LA INVERSIÓN DIRECTA EN ARGENTINA : TIMING DE INGRESOS Y ACTIVIDADES ECONÓMICAS DE LAS COMPAÑÍAS EXTRANJERAS (1860-1950)**

Durante la primera globalización, Argentina fue considerada como una de las más dinámicas economías, atrayendo un volumen record de inversiones extranjeras. El país se situaba en cuarta posición mundial en términos de stocks de inversiones extranjeras (FDI) en 1914. El artículo tiene como objetivo presentar una visión de conjunto de las relaciones entre multinacionales (principalmente norteamericanos y europeos) y los países receptores durante la primera mitad del siglo XX. Se organiza en tres secciones. La primera presenta una visión general de las empresas extranjeras que hacían negocios en Argentina (en términos sectoriales y de origen). Una segunda parte se centra en dos sectores: firmas manufactureras y comerciales, compañías de *public utilities*. La intención es de comparar la organización y la evolución de cada sector y de identificar las estrategias de negocios que las empresas utilizan para adaptarse a los contextos políticos y económicos cambiantes. El período cubre: la fase que va de los años 1890 a los años 1920, la gran depresión y los años 1930 y la fase correspondiente a la guerra y al período inmediato a la segunda guerra mundial.

Evaluamos las ventajas específicas del país (CSAS) que pueden determinar la decisión de invertir en Argentina, así como las ventajas de internacionalización desarrolladas por las compañías extranjeras como respuesta a las modificaciones de las políticas gubernamentales que podría afectar el flujo de inversiones y el comercio inter - firma. La investigación se fundamenta primeramente en los archivos privados de las compañías, de las cámaras de comercio, las fuentes oficiales y de información estadística, balances

Unidos tuvieron estructuras de redes diferentes, se llevó a cabo, en estos tres países, un crecimiento industrial rápido. En México, una fuerte y densa red remplazaba en gran medida las instituciones que promovían el desarrollo financiero y el crecimiento en Brasil.

— Marcelo BUCHELI

### **GRANDES FIRMAS MULTINACIONALES CANADIENSES Y NACIONALISMO ECONÓMICO: EL CASO DE LA IMPERIAL OIL LIMITED EN ALBERTA (CANADÁ) Y EN COLOMBIA DE 1899 Y 1938**

En el siglo XX, capitales canadienses invirtieron en el sector petrolero latinoamericano a través de la International Petroleum Company (IPC). Hasta la fecha, los investigadores no han tomado en cuenta la nacionalidad canadiense de la IPC y la han considerado como una compañía norteamericana, debido a que la IPC era una filial de la Standard Oil of New Jersey. Utilizando y explorando el corpus no investigado de fuentes primarias, este trabajo muestra que las operaciones del IPC en Colombia constituían una respuesta a la aguda concurrencia que conocía la compañía en Canadá, y a la hostilidad política canadiense dirigida por el movimiento progresista. Al inicio, la compañía buscaba utilizar los yacimientos colombianos como un complemento a los de Canadá. Sin embargo, las condiciones políticas y la falta de recursos han hecho de Colombia un distribuidor mayor de bruto para la IPC.

— Mariano TORRES BAUTISTA

### **PROBLEMAS CULTURALES AL ORIGEN DE UNA EMPRESA. EL PROCESO DE ADAPTACIÓN DE LA FAMILIA MAURER EN EL MÉXICO DEL SIGLO XIX, 1853-1890**

Los estudios sobre la génesis de las empresas tomaron en cuenta sobre todo los aspectos comerciales, financieros, etc., es decir la "viabilidad" de las empresas. La llegada de los franceses a México para constituirse en un grupo de negociantes más conocidos, es una historia en la cual se ha producido una muy buena bibliografía. Sin embargo, en el estudio del establecimiento de las empresas y de los dirigentes franceses en todo lo ancho del país, se conoce muy poco el proceso de asimilación de los inmigrantes, uno de los puntos determinantes para comprender su rol en la sociedad receptora. Por ende, intentamos hacer aquí un análisis de la problemática que han tenido que resolver los hermanos Maurer, de origen alsaciano, para poder consolidar la empresa. Ésta comprende episodios en los cuales se tuvo que defender con las armas, hasta lograr un matrimonio triunfante que permitió sentar cimientos en la localidad para poder constituir todo una dinastía de hombres de negocios.

— Leticia GAMBOA OJEDA

### **LOS HOMBRES DE NEGOCIOS DE BARCELONNETTE EN MÉXICO: SINGULARIDADES EN UNA CADENA DE INMIGRACIÓN EN AMÉRICA (1840-1914)**

El siglo XIX, y los primeros decenios del XX, han visto una salida masiva de europeos y de asiáticos al continente americano. De esta corriente, un grupo compuesto de personas oriundas de un minúsculo valle (Barcelonnette) en los Bajos Alpes franceses, constituye un hecho excepcional, debido a que casi todos emigraron a México y lo hicieron, in crescendo, hasta inicios de la Gran Guerra. Mismo si solamente una parte de ellos hicieron fortuna a través de sus principales actividades económicas (comercio textil, ropas y novedades, de fabricación nacional y extranjera), su principal arma fue el fruto del trabajo del conjunto de

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